

**Governor's Policy Office**  
**ACP Cost Recovery**

The capital costs of the ACP are paid by ratepayers.

The costs of natural gas fuel and transmission get passed to ratepayers. But costs are passed through only to the extent that NC Utilities Commission determines them "prudent" in each annual fuel proceeding.

DEC, DEP, PNG, and PSNC privately negotiated transmission costs with ACP in what are called precedent agreements. In October 2014, the NCUC authorized DEC, DEP, and PNG to enter into precedent agreements. That NCUC authorization does not mean the transmission rates negotiated in the precedent agreements will be determined prudent by the NCUC in annual fuel proceedings. The 14% return on equity (which is passed on through transmission tariffs) that FERC would allow does not apply to the 4 companies above, as they negotiated transmission costs privately. That 14% is the maximum ACP could charge to a new natural gas customer.

In terms of distribution, the ACP is 96% subscribed, so there is little capacity for additional customers. If there is additional capacity and need, then the local natural gas distribution company (LDC) would negotiate with ACP on price and location of the tap. If the LDC wants to rate base the connection costs, then it would seek rate recovery after the fact through a rate case. If one or two large customers want the distribution, then those customers, not the entire rate base, would likely pay for the connection costs.